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The Role of CEOs' Self-Serving Motives in Corporate Headquarter Relocations

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Abstract

Abstract: In this study, I investigate publicly traded firms that relocate corporate headquarters and measure the Chief Executive Officers' role in the location choice and performance implications of the move. Specifically, I examine whether CEOs that are moving corporate headquarters closer to their Alma Maters' city ("suspect move") are acting in the best interest of shareholders or are fulfilling self-serving motives. I perform two sets of analyses on a sample of firms that have relocated headquarters to a new state. First, I test whether the probability that a move is suspect increases when CEOs appear to have undue influence and entrenchment relative to shareholders. Second, I test whether, relative to non-suspect moves, suspect moves are positive or negative for shareholders. I find little support for CEOs influencing firm decisions and boards to make a suspect move. However, I do find support that suspect moves are negatively associated with shareholder value. In supplemental tests I document preliminary evidence that CEO distraction explains the relative decrease in shareholder value for firms that undertook a suspect move.

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1. Introduction

In this paper I examine corporate headquarter relocations that are potentially associated with CEOs' self-interested motives. Specifically, in a sample of recent corporate headquarter relocations by large publicly traded companies, I compare firms that move to the state of the CEO's Alma Mater (i.e. "suspect moves") against a control sample of firms that do not appear to be suspect. CEOs that oversee a corporate headquarter relocation to the state where they went to university potentially have self-serving motives. With this sample I empirically test two research questions: First, are governance characteristics associated with the decision to engage in a suspect move? Second, relative to control firms, do suspect move firms suffer from poor financial performance subsequent to their headquarter move?

To answer my research questions I perform two sets of tests. I begin the first set of tests by quantifying variation in CEOs influence and entrenchment for my sample firms. To determine how much influence a CEO could have on the decision to relocate, I use a measure of CEO centrality developed by Bebchuk, Cremers, and Peyer (2011) i.e. the CEO pay slice that is captured by the total pay of the CEO relative to the total pay of the next 4 most highly paid executives. I then examine the entrenchment of firms' management and CEOs using the entrenchment index (E index) from Bebchuk, Cohen, and Ferrell (2009). The E index is based on six Investor Responsibility Research Center provisions: staggered boards, limits to shareholder bylaw amendments, poison pills, golden parachutes, and supermajority requirements for mergers and charter amendments. Entrenchment increases when the CEO has little threat of being replaced, allowing the CEO to put his interests ahead of the firms. The results of these initial tests do not provide any consistent evidence that the likelihood of a suspect move increases in CEOs influence and entrenchment.

In my second set of tests I examine whether financial performance suffers subsequent to a suspect move. I use return on assets (ROA) as a measure of accounting performance and the market-to-book value ratio (MTB) as a measure of market performance. I collect performance data for up to three years before and after move to see whether the suspect move was in the best interest of the firm and its shareholders. A suspect move creates a shareholder's dilemma. The move could result in a more relaxed environment for the CEO so he/she will perform better. At the same time, suspect moves could be associated with self-serving motives that could lead to negative performance. My results support the latter and suggest that a suspect move is associated with a relative decrease in performance.

In supplemental analysis I extend my performance tests to try and begin to understand the source of decreased performance subsequent to suspect moves. There are a number of potential sources for this decreased performance including distance from the old headquarters to new headquarters and potential distractions coming from being closer to the CEO's Alma Mater. A distraction would arise if the CEO is spending time involved with the university in some academic or athletic capacity thus spending more time out of the office. In exploratory univariate tests, I document evidence consistent with CEO distraction. Specifically, I document a higher rate of CEO affiliation with one of the major three athletic conferences: SEC, Big 12, Big 10, for the sample of suspect move firms.

My study furthers what is known about corporate headquarter relocations' effects on financial performance. According to Pirinsky and Wang (2006), companies often say that headquarter relocations allow them to gain from being closer to their customers or suppliers. Cronqvist (2012) shows that CEOs' personal motives can help explain corporate financial

behavior. Along the lines of Cronqvist (2012) my study adds a personal motive, instead of a business motive, for headquarter relocation that prior papers have possibly ignored.

Due to years of past legislation and activist investors' actions, corporate governance characteristics have become more uniform across firms. It may not be all together surprising that the governance characteristics of my control group and suspect move firm group show little variation across these groups. Despite these similarities, I still find that firm performance suffers subsequent to a suspect move. My study is therefore useful to policy makers and corporate boards as it suggests that nominally good corporate governance can still be associated with bad firm outcomes in certain contexts.

The remainder of this paper is structured as follows: In the second section, I place my study in the context of the existing literature; in the third section, I describe the data; in the fourth section, I discuss the empirical and additional analysis results; in the fifth section, I summarize the findings and conclude.

2. Prior Literature and Hypothesis Development

A considerable amount of research has examined determinants of headquarter relocations and the impact of CEO personal traits and self-serving motives on corporate outcomes. Similarly, a substantial amount of research has examined implications of corporate governance on firm performance. Much less research has been done on the interplay of these areas. To the best of my knowledge, my study is the first to examine the implications of CEO self-serving motives with respect to corporate governance and firm performance in a headquarters relocation decision setting.

Headquarter Relocations:

A corporate headquarter relocation is defined as a physical headquarters move from one city to a different city. Two options are typically available for multi-nationals: select a new city in their home country or select a new city abroad. In headquarter relocations abroad, Voget (2010) finds that international taxation plays a key role in determining the relocation country. To minimize this effect my study focuses only on domestic moves of US based companies, i.e. the selection of a new city in the continental US.

With respect to factors that influence the choice of a new domestic headquarters location, Holloway (1991) finds that corporations look to place themselves in a diversified economic base which is one that is less reliant on manufacturing. This would allow corporations easier access to their needed services: accountants, lawyers, and bankers. This suggests that headquarters are more likely to relocate to larger cities where these expert services are more densely located.

Davis (2008) further supports the idea of locating headquarters in cities with many services offered while further suggesting that headquarters will cluster together to better understand the market. This would also allow for knowledge sharing between companies and easier access to one another. This phenomenon is known as "agglomeration". Almazan (2010) supports the theory that firms will relocate to place themselves in an industry cluster and Strauss-Kahn (2008) finds that firms' headquarters are in-fact concentrated and the agglomeration effect is statistically significant. Ghosh (1995) finds that headquarter relocations from agglomerated cities results in cost-savings that positively impacts a firm's financial performance and Almazan (2010) finds that corporate headquarter location is important because it affects growth opportunities in firm's financial decisions. Loughran (2008) found that one of the financial decisions that location affects is equity issuance and Pirinsky and Wang (2006) finds that a

firm's headquarter location affects the firm's value by affecting its stock movement. This research generally suggests that headquarter moves can have performance and shareholder value implications.

CEO Personal Traits and Self-Serving Motives:

Many studies have found that CEOs' individual traits and characteristics are meaningful for firm outcomes. Without singling out individual traits or characteristics, Bennedsen (2008) finds that specific CEOs matter and managers affect firm performance. Further supporting this, Chyz (2013) and Cronqvist (2012) both find that CEOs' personal behaviors can partially explain corporate financial behavior. Chyz (2013) finds that "suspect executives'', defined as those that evade personal taxes, companies are more likely to partake in tax sheltering. Cronqvist (2012) finds that executives' personal leverage levels affect the leverage structure of their companies. Other empirical evidence shows that certain CEO traits can affect a firm negatively. Malmendier and Tate (2005) show that a CEO's overconfidence leads to value-destroying M&A activity which usually lead to increases in CEO bonuses. This prior literature generally suggests that CEOs personal tendencies and preferences can impact business decisions and that CEOs often engage in self-centered or self-serving business decisions. I consider a headquarter move to the Alma Mater state as another self-serving decision that potentially has firm governance and performance implications.

CEO Influence and Entrenchment and Corporate Governance:

Jensen (1976) defines an agency relationship as a contract under which principals, investors, engage an agent (i.e. the CEO) to perform services on their behalves and delegate

decision making authority to this agent. The investors cannot fully trust the CEO so corporate governance mechanisms are used by investors to monitor agents and align the interest of agents with their interests. CEOs' decisions are supposed to maximize the investors' welfare but sometimes the CEO will seek to maximize his own utility. Thus, shareholders need to create mechanisms to protect against potentially self-serving decisions and consumption of "perquisites" by managers to benefit themselves (Jensen, 1976). La Porta (2000) defines corporate governance as a set of mechanisms through which outside investors protect themselves against expropriation of the firms' assets by the managers (CEOs) they have hired. Masulis (2007) and Manne (1965) find that poor corporate governance likely leads to decisions that are not necessarily in the best interest of shareholders. Consequently, corporate governance mechanisms, if working properly, should limit CEO influence and entrenchment relative to shareholders to decrease the chances that CEOs take actions and decisions for self-serving reasons.

Hypothesis Development:

As noted above, if functioning properly, corporate governance mechanisms protect investors and will reduce the chances that CEOs make decisions that are self-serving. Self-serving decisions are more likely to occur if CEOs have greater influence and entrenchment relative to shareholders. I expect suspect moves to be a consequential and self-serving decision. Less influential and entrenched CEOs face greater scrutiny by the Board of Directors and any suspect moves should be rejected. This leads to my first testable hypothesis which is as follows:

Hypothesis 1 (H1): The likelihood of a suspect move is negatively associated with CEOs' influence and entrenchment.

I may not be able to document support for H1 for a number of reasons. First, variation in CEO influence and entrenchment is difficult to measure empirically. Second, stronger corporate governance mechanisms can be publicly perceived as good but still allow a poor decision to be made. Fisman (2013) finds that a well governed company can allow a CEO to become entrenched giving him/her more power to make a poor decision. It is also possible that the Boards know a proposed move is closer to the CEO's Alma Mater but the CEO convinced them that the move would be good for the firm. As a result, it is not clear whether strong corporate governance would mitigate self-serving headquarter moves in all instances. Regardless of the results of my test of H1, suspect moves have potential firm performance implications which I discuss below.

The general consensus (Strauss-Kahn 2008, Ekholm 2001, Duranton 2005) is that firms want to be located near an abundance of services and other headquarters. These two theories focus largely on optimal relocations from a business viewpoint. Strauss-Kahn (2008) suggests that while headquarter moves are infrequent, they are not rare.[1] Therefore, it seems reasonable to expect that some headquarter moves are driven, in part, by CEOs' self-serving motives. In fact, Ghosh (1995) documents evidence of some corporate moves ostensibly for self-serving motives. Specifically, Ghosh (1995) documents that when management's decisions serve their self-interest for luxurious offices equity markets react negatively. The negative equity market reaction results because the agent (CEO) is not acting in the principals' (investors) best interest and is potentially destroying value. Suspect moves are potentially self-serving at the expense of shareholders, are suboptimal from a business perspective, or are a combination of both. This leads to my second hypothesis:

[1] Strauss-Kahn (2008) states the rate of relocation is significant at approximately 5% within a 5 year timeframe.

Hypothesis 2 (H2): Relative to control firm headquarter moves, suspect headquarter moves are negatively associated with firm performance.

The finding in Ghosh (1995) that equity markets react negatively to certain relocation reasons suggests that shareholders are aware of and differentially price headquarter moves. Although I expect suspect moves to be driven by self-serving motives and are not in the best interest of shareholders, it is not unreasonable to believe a suspect move could improve financial performance. For example, the CEO could now be in his comfort zone after moving to his Alma Mater state so he is happier and more productive at work. Lyubomirsky (2005) finds that happy individuals are more successful at work. The CEO could also reconnect with old university friends that allow the firm to identify more business opportunities and contract more efficiently thus helping growth and prosperity. Cronqvist (2012) finds that a CEOs' personal behavior can help explain the firm's financial behavior which would support the hypothesis that a CEO's good personal life would lead to a firm's good financial health. Nevertheless, to the extent a suspect move is self-serving I expect it to harm financial performance and firm value.

3. Data and Research Design

Sample

My sample consists of 89 public firms and covers the years 2001-2012 as seen in Table 1. My primary data source for headquarters moves is Corporate Library. I search the Corporate Library database which provides detailed annual historical information on, among other things, firms' headquarter locations. To be viable in my analysis I need CEO names in order to identify Alma Maters and firms that moved corporate headquarters. Corporate Library returned 167 firms

with the CEO name and state of the headquarter move for my initial sample. Based on minimal data requirements some observations had to be removed including firms not covered in the financial databases for year of move, firms without financial information to construct regressors for at least one year before and after the move, lack of university information for CEO, a CEO affiliation with a foreign university, and the move being to an existing subsidiary or because of M&A. My final sample consists of a reasonable balance of 68 control firms and 21 suspect move firms.

Additional data sources for my empirical analyses include ExecuComp (CEO centrality, executive compensation information) and Compustat (ROA, MTB, and other financial information). Tests of H1 and H2 use different empirical approaches and thus result in different sample compositions. For instance, tests of H1 focus on only one year while tests of H2 capture up to three years before and after headquarter moves. This results in a pooled sample of 513 firm-years for tests of H2 representing 89 unique firms. Because of the annual nature of the test and the difficulty in obtaining the needed governance data, my final sample of unique firms for tests of H1 vary between 66 and 56 depending on the measure used.

Research design

To test H1 I use a logit regression of suspect moves against the measures of CEOs' influence and entrenchment (captured by CEO centrality and E index) and a set of controls to create Model (1):

$$SuspectMove_i = \alpha_0 + \beta_1(\text{CEO Influence and Entrenchment})_i + \beta_v X_i + e_i$$

SuspectMove = A move to the state of the CEO's Alma Mater

Influence and Entrenchment are defined as:

ADJCPS	= Industry mean-year adjusted CEO pay slice, where the CEO pay slice is defined as total CEO compensation divided by the total compensation of the top five named executives based on Bebchuk, et al. (2011)
EINDEX	= Entrenchment index based on Bebchuk, et al. (2005)
Control variables:	
SIZE_AT	= Natural log of total assets
LEV	= Sum of current and long-term debt divided by lagged total assets
LNAGE	= Natural log of the number of years the firm appears in Compustat database
ROA	= Pretax income less special items divided by lagged total assets
MTB	= Market value of equity divided by book value of equity

A positive and statistically significant coefficient on β_1 would provide support for H1 that predicts suspect moves are associated with CEO influence and entrenchment. I measure influence and entrenchment using two proxies. The first is the E index consistent with Bebchuk, et al. (2005). The E Index captures variation in the entrenchment of firms' management and is also a proxy for overall governance quality. As first discussed by Manne (1965), high entrenchment could potentially harm shareholders suggesting entrenched CEOs are more likely to make decisions for self-serving motives. The second is the industry adjusted CEO Pay Slice (ADJCPS), where the CEO Pay Slice is defined as in consistent with Bebchuk et al. (2011). The CEO Pay slice is the fraction of aggregate compensation of the firm's top-five executive team that the CEO captures. CPS allows me to see how much power the CEO has in comparison to the other top executives in the firm. Bebchuk (2011) finds evidence that higher CPS is associated with agency problems and suggests that CPS can be a product of governance problems. Consistent with Mande and Son (2012) I adjust the CPS for industry affiliation by using the deviation from the annual industry averages in construction ADJCPS.

To test H2 I use an ordinary least squares (OLS) difference in difference regression of firm performance on suspect move firms and post move time period indicators and a set of controls to create Model (2):

$$Performance_{it} = \alpha_0 + \beta_1 SuspectMove_i + \beta_2 PostMove_{it} + \beta_3 SuspectMove_i * PostMove_{it} + \beta_n X_{it} + \Sigma Industry_i + Year_t + e_{it}$$

Performance:

ROA	= Pretax income less special items divided by lagged total assets
MTB	= Market value of equity divided by book value of equity
Indicator variables:	
SuspectMove	= Indicator variable equal to 1 if the firm is associated with a suspect move (i.e. a move to the state of the CEO's Alma Mater)
PostMove	=Indicator variable equal to 1 for firm-years after a headquarter move and zero otherwise
Control variables:	
SIZE_AT	= Natural log of total assets
LEV	= Sum of current and long-term debt divided by lagged total assets
LNAGE	= Natural log of the number of years the firm appears in Compustat database
RND	= Research and development expenses scaled by lagged assets
Industry	= Industry fixed-effects based on the Fama-French 12
Year	= Year fixed effects

A negative and statistically significant coefficient on β_3 would provide support for H2 that predicts suspect move firms, comparative to control firms, will see worse performance after a suspect move. Performance is measured using the proxies return on assets (ROA) and market-to-book value ratio (MTB) which measure accounting performance and market performance, respectively. In general, Ghosh (1995) finding that management's self-serving decisions are received by equity markets negatively supports my hypothesis that accounting and market performance will lower due to a self-serving decision by the CEO to make a suspect move.

Sample descriptive statistics and univariate tests

Table 2 presents the descriptive statistics for H1 and is separated by all firms, control firms, and suspect move firms. Table 2, Panel A presents descriptive statistics for all firms in the sample. The mean for ADJCPS is 0.006 while the mean for EINDEX is 2.313. In Table 2, Panel B presents the statistics for the control firms and Panel C presents the statistics for the suspect move firms. The results of these analyses show that, on average, CEO centrality is actually lower for suspect sample firms but this difference is not statistically significant. The EINDEX is higher for suspect move firms which would support my hypothesis but this difference is not statistically significant. For my control variables, only firm size (SIZE_AT) and profitability (ROA) are statistically different between suspect move firms and control firms. Suspect move firms appear to be smaller on average and are more profitable on average.

Table 3 presents industry composition based on Fama French 12 (French 2011) of the sample used in my H2 testing. The table shows the number of firm-years used for each control and suspect move firm by industry. Generally speaking, there appears to be a reasonable distribution of industries across both control and suspect move firm samples. To further control for time-invariant industry characteristics on my results, these industry classifications are used for industry fixed-effects in tests of H2.

Table 4 presents the descriptive statistics for tests of H2 and separately presents the pooled sample of firm-years, control firm-years before and after move, and suspect firm-years before and after move. Table 4, Panel A presents the descriptive statistics for the sample of pooled firm-years. Table 4, Panels C and E present firm-year descriptives for periods after the headquarter move for control firms and suspect move firms respectively. Table 4, Panels B and D present firm-year descriptives for the period before the move.

Comparing Panels B and C it appears as though control firms become more leveraged (i.e. 0.331 vs. 0.278) after the move. No other changes for control firms are statistically significant.[2] Importantly, ROA appears to increase (i.e. -0.002 vs. 0.017) and MTB appears to decrease (i.e. 3.393 vs. 2.781) after the move for control firms, but again, these changes are not statistically significant.

Table 4, Panels D and E provide preliminary support for H2 that performance suffers after a suspect move. Specifically, I find statistically significant decreases in both ROA (i.e. 0.060 vs. 0.034) and MTB (i.e. 4.455 vs. 1.761) after a suspect headquarter move. Of the control variables, only leverage (LEV) and size (SIZE_AT) are statistically different between before and after move time periods. The former suggests that suspect move firms de-lever and increase in size subsequent to a move.

4. Regression Results

Tests of H1

Table 5 presents the regression results of Model (1). Model (1) seeks to capture whether the suspect move decision is related to CEO influence and entrenchment. Influence and entrenchment is measured by two variables: ADJCPS and the EINDEX. Columns (1) and (2) present the results with the measure ADJCPS while columns (3) and (4) present the results with the measure EINDEX. Columns (1) and (3) present the results without ROA and MTB while the other two columns include these variables. For both measures, my variable of interest is Influence and Entrenchment and neither returns a statistically significant result. The only

[2] LNAGE is statistically different across the periods for both control and suspect move firm, but this result is trivial since age naturally increases over time.

significant result is the control variable size (SIZE_AT) which is negative. These results show that H1 cannot be supported through empirical analysis. This potentially means, due to more uniform corporate governance mechanisms, that it is difficult to capture variation in CEO influence and entrenchment.

Tests of H2

Table 6 presents the regression results of Model (2). Model (2) seeks to capture relative changes in firm performance after a headquarter move. Column (1) represents ROA and column (2) represents MTB. In both of the columns, the dependent variable of interest that supports the hypothesis is SUSPECT * PostMove which captures after the move financial performance for suspect move firms relative to control firms. The relationships between SUSPECT * PostMove and ROA is negative (-0.061) and significant at a 1% level and MTB is also negative (-2.310) and significant at a 10% level. The negative relationship between ROA and the control variable leverage (LEV) can be expected because highly levered firms may be financially constrained due to high amounts of interest. ROA also has a negative relationship with the control variable research and development (RND) which can be expected because firms with high RND expenditures tend to be younger, high-tech start-ups that are not profitable at all. These regression results for H2 support my hypothesis by showing that a firm who engages in a suspect move will have worse financial performance after the move compared to before the move than a control firm.

Additional Analysis Results

Supplemental univariate tests

Results for tests of H2 suggest firm performance suffers subsequent to a suspect headquarter move relative to a non-suspect headquarter move. There are a number of potential sources for this decreased performance. One possibility is distance from the old headquarters to new headquarters. Pirinsky and Wang (2006) find that stock returns have a significant geographic component. Another is potential distractions coming from being closer to the CEO's Alma Mater. A distraction would arise if the CEO is spending time involved with the university in some academic or athletic capacity thus spending more time out of the office. I undertake some exploratory univariate tests to search for evidence of either cause and document results of these tests in Table 7.

In Panel A I examine the role of distance to determine if it affects performance after a suspect-move. Both measures in miles, Log of Distance and Distance, show that suspect move firms and control firms were relatively similar. On average, suspect move firms did not move as far as control firms (i.e. 901 vs. 1023) with a difference of 122 miles. The Log of Distance was also relatively similar (i.e. 6.545 vs. 6.554) with a difference of 0.009. Neither of these differences is statistically significant which suggests it is unlikely that distance is the cause of decreased performance for suspect move firms.

In the United States, Division I college athletics plays a vital role in college students' experiences and connects them to campus and the city. Therefore, college football and basketball games are a main draw to bring alumni back to campus and the city. In Panel B I search for evidence of possible sources of CEO distraction by examining the role of college athletics. Panel B suggests that CEOs from the 3 Big Football Conferences (i.e. SEC, Big 10, and Big 12) are more likely to move firm headquarters to their Alma Mater's state than CEOs from Division I

without Big Football Conferences and All Division I Athletics. Specifically, of all suspect moves, there is a higher proportion to SEC, Big 10, and Big 12 schools than the control groups move proportion to the same group of schools. The difference between suspect and control firms is statistically significant at a 10% level. This suggests a CEO who oversaw a suspect move and went to a Big Football Conference university is potentially distracted by his university's football and basketball teams' performances.

5. Conclusion

This paper examines CEOs' influence and entrenchment effects on new headquarter location along with the relocation's effects on financial performance. I examine both potentially self-serving suspect moves to the CEO's Alma Mater state and control, or non-suspect, moves. I use CEO Pay Slice to help determine a CEOs' influence that originates from Bebchuk, Cremers, and Peyer (2011) and the EINDEX to measure entrenchment that originates from Bebchuk, Cohen, and Ferrell (2009). I find little evidence to suggest that CEOs' influence or entrenchment results in undue sway on the new headquarter locations. Because suspect headquarter moves are potentially self-serving, this suggests that some corporate governance mechanisms within these firms moderate CEO influence and entrenchment.

I extend my first set of findings into a difference in difference analysis that compares changes in performance after headquarter moves for suspect move firms and my control group. Because I expect that a suspect move is self-serving in nature I predict that a suspect move leads to worse financial performance after the move when compared to a control firm. My empirical results support this assertion as I find that both accounting performance and market performance decreases for suspect move firms relative to control firms. This is important because it shows

that headquarter relocations do not always guarantee positive financial returns that CEOs, and the firm Boards, hope will occur. My results suggest it is more likely for the returns to be negative if the move is determined to be suspect.

In an effort to explain these results, I find that firms with CEOs who attended a university within a Big Football Conference were more likely to move headquarters to their Alma Maters than CEOs from Division I without Big Football Conferences and All Division I Athletics. These results, though exploratory in nature, provide findings that suggest CEOs are pursuing self-serving motives. They pay more attention to their universities' football and basketball teams instead of their firms. There are still other aspects of my setting that I have not addressed in this research study. Nevertheless, my findings provide evidence that CEOs' self-serving decisions are not only possible, but destructive to shareholder value. My study provides a warning to corporate boards about the need for appropriate corporate governance mechanisms that protect firm and shareholder value by not allowing CEOs to fulfill self-serving motives.

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TABLE 1
Sample Construction

Panel A: Sample Construction	
Unique Corporate Library Database firms with CEO name and state headquarter move	167
Less:	
Firms not covered in financial databases for year of move	(31)
Moves to an existing subsidiary or because of M&A:	(5)
Firms lacking university information for CEO:	(13)
Firms where all CEO university affiliations are foreign:	(4)
Firms without information to construct regressors for at least one year before and one year after the move	(25)
Firms in sample	89
Suspect move firms	21
Control firms	68

This table presents my sample selection procedure. I begin with firms available on the Corporate Library database which collects proxy data for firms between 2001 and 2012.

TABLE 2

H1 Sample Descriptive Statistics and Univariate Tests

Panel A: All sample firms used in main regression testing

	Obs.	Mean	Std Dev	25%	Median	75%
ADJCPS	66	0.006	0.126	-0.055	-0.006	0.081
EINDEX	56	2.313	1.292	1.500	2.000	3.000
SIZE_AT	89	7.470***	1.592	6.430	7.335	8.357
LEV	89	0.271	0.238	0.083	0.237	0.352
LNAGE	89	2.840	0.759	2.250	2.740	3.597
ROA	89	0.011**	0.176	-0.008	0.034	0.068
MTB	89	4.211	10.022	1.530	2.311	4.166

Panel B: Control sample firms

	Obs.	Mean	Std Dev	25%	Median	75%
ADJCPS	50	0.014	0.126	-0.074	0.002	0.083
EINDEX	44	2.250	1.314	1.000	2.000	3.000
SIZE_AT	68	7.651	1.729	6.452	7.518	8.724
LEV	68	0.280	0.249	0.078	0.248	0.372
LNAGE	68	2.862	0.751	2.250	2.707	3.637
ROA	68	-0.003	0.197	-0.016	0.028	0.064
MTB	68	3.765	9.019	1.535	2.357	4.154

Panel C: Suspect move sample firms

	Obs.	Mean	Std Dev	25%	Median	75%
ADJCPS	16	-0.020	0.126	-0.054	-0.022	0.044
EINDEX	12	2.542	1.233	2.000	2.000	4.000
SIZE_AT	21	6.886***	0.820	6.296	6.999	7.453
AVG_LEV	21	0.242	0.204	0.148	0.231	0.293
LNAGE	21	2.771	0.797	2.250	2.740	3.511
ROA	21	0.055**	0.064	0.009	0.047	0.072
MTB	21	5.656	12.908	1.383	2.036	4.166

This table presents descriptive statistics for sample of firms used in testing H1. All variables measured as the average of realizations in the two-years prior to the move year. Panel A presents the pooled sample. Panel B presents control firms and Panel C presents suspect move firms. ADJCPS is the industry mean-year adjusted CEO pay slice, where pay slice is defined as total CEO compensation divided by the total compensation of the top five named executives. EINDEX is the entrenchment index based on Bebchuk, Cohen, and Ferrell (2009). SIZE_AT is the natural log of total assets. LEV is the sum of current and long-term debt divided by lagged total assets. LNAGE is the natural log of the number of years the firm appears in the Compustat databse. ROA is pretax income less special items divided by lagged total assets. MTB is the market value of equity divided by the book value of equity. *, ** and *** next to the mean indicate a 10%, 5% and 1%, respectively, significant difference between suspect move and control firms using a two-tailed test.

TABLE 3
H2 Sample Industry Composition

Panel A: Industry Composition – Fama French 12 for H2 Testing

	Control		Suspect		
	Number	Percent	Number	Percent	Percent Diff
Consumer Nondurables	21	5.3	0	0.0	5.3
Consumer Durables	0	0.0	6	5.0	-5.0
Manufacturing	70	17.8	24	20.0	-2.2
Oil, Gas and Coal Extraction and Products	12	3.1	6	5.0	-1.9
Chemicals and Allied Products	18	4.6	12	10.0	-5.4
Business Equipment	52	13.2	26	21.7	-8.5
Telephone and Television Transmission	0	0.0	6	5.0	-5.0
Utilities	18	4.6	0	0.0	4.6
Wholesale, Retail and Some Services	30	7.6	16	13.3	-5.7
Healthcare, Medical Equipment and Drugs	54	13.7	6	5.0	8.7
Financial Services	40	10.2	12	10.0	0.2
Other	78	19.8	6	5.0	14.8
	393		120		

This table presents industry composition based on the 12 industry classifications defined by Fama and French (French 2011) for the sample of firm-years used in testing H2.

TABLE 4

H2 Sample Descriptive Statistics and Univariate Tests

Panel A: Pooled firm-years used in regression testing

	Obs.	Mean	Std Dev	25%	Median	75%
ROA	513	0.017	0.129	0.001	0.033	0.067
MTB	513	3.099	4.678	1.314	2.177	3.450
SIZE_AT	513	7.571	1.636	6.515	7.430	8.509
LEV	513	0.285	0.260	0.088	0.241	0.386
LNAGE	513	2.936	0.722	2.398	2.833	3.638
RND	513	0.003	0.031	0.000	0.000	0.000

Panel B: Control firm-years BEFORE headquarter move

	Obs.	Mean	Std Dev	25%	Median	75%
ROA	198	-0.002	0.150	-0.015	0.030	0.061
MTB	198	3.393	4.278	1.527	2.498	3.930
SIZE_AT	198	7.613	1.778	6.360	7.530	8.846
LEV	198	0.278	0.235	0.081	0.240	0.409
LNAGE	198	2.833	0.784	2.197	2.708	3.638
RND	198	0.006	0.049	0.000	0.000	0.000

Panel C: Control firm-years AFTER headquarter move

	Obs.	Mean	Std Dev	25%	Median	75%
ROA	195	0.017	0.132	-0.003	0.030	0.074
MTB	195	2.781	4.696	1.180	2.096	3.428
SIZE_AT	195	7.843	1.763	6.570	7.963	9.058
LEV	195	0.331*	0.310	0.113	0.256	0.469
LNAGE	195	3.069***	0.617	2.565	2.944	3.714
RND	195	0.002	0.013	0.000	0.000	0.000

Panel D: Suspect firm-years BEFORE headquarter move

	Obs.	Mean	Std Dev	25%	Median	75%
ROA	61	0.060	0.080	0.016	0.051	0.078
MTB	61	4.455	7.060	1.354	2.185	3.874
SIZE_AT	61	6.824	0.827	6.296	6.882	7.430
LEV	61	0.248	0.216	0.060	0.236	0.307
LNAGE	61	2.741	0.821	2.079	2.708	3.526
RND	61	0.000	0.000	0.000	0.000	0.000

Panel E: Suspect firm-years AFTER headquarter move

	Obs.	Mean	Std Dev	25%	Median	75%
ROA	59	0.034**	0.048	0.017	0.034	0.063
MTB	59	1.761***	1.137	1.230	1.761	2.422
SIZE_AT	59	7.301***	0.927	6.698	7.245	7.964
LEV	59	0.191*	0.155	0.081	0.154	0.303
LNAGE	59	3.044**	0.630	2.565	2.944	3.664
RND	59	0.000	0.000	0.000	0.000	0.000

This table presents descriptive statistics for the sample of firm-years used in testing H2. All variables are annual measures. Panel A presents the pooled sample. Panels B and C partition the control firms-years before and after the headquarter move. Panels D and E partition the suspect firm-years before and after the headquarter move. ROA is pretax income less special items divided by lagged total assets. MTB is the market value of equity divided by the book value of equity. SIZE_AT is the natural log of total assets. LEV is the sum of current and long-term debt divided by lagged total assets. LNAGE is the natural log of the number of years the firm appears in the Compustat database. RND is research and development expense (set to zero if missing) divided by lagged total assets. *, ** and *** next to the mean indicate a 10%, 5% and 1%, respectively, significant difference suspect and control firms using a two-tailed test.

TABLE 5

Logit Regression of the Suspect Move Decision on CEO Influence and Entrenchment

	ADJCPS		EINDEX	
	(1)	(2)	(3)	(4)
Influence and Entrenchment	-5.372	-6.641	0.259	0.263
	(0.14)	(0.09)*	(0.37)	(0.37)
SIZE_AT	-1.145	-1.136	-0.558	-0.567
	(0.00)***	(0.00)***	(0.10)*	(0.11)
LEV	-0.069	0.550	0.887	1.636
	(0.98)	(0.82)	(0.64)	(0.44)
LNAGE	0.569	0.520	-0.114	-0.191
	(0.31)	(0.37)	(0.84)	(0.75)
RND	-3628	-3200	-1080	-497
	(0.16)	(0.29)	(0.57)	(0.82)
ROA	-	5.529	-	8.501
	-	(0.33)	-	(0.17)
MTB	-	-0.109	-	-0.134
	-	(0.43)	-	(0.32)
Intercept	5.867	5.821	2.464	2.511
	(0.02)**	(0.03)**	(0.31)	(0.36)
Psuedo R^2	0.2311	0.2477	0.0903	0.1269
Nobs	66	66	56	56

This table presents Logit regressions results for tests of H1. Influence and Entrenchment in columns (1) and (2) is captured by ADJCPS. In columns (3) and (4) Influence and Entrenchment is captured by the ENINDEX. The dependent variable, SUSPECT, is an indicator variable equal to 1 if firm moved headquarters to the state affiliated with the CEO's Alma Mater and zero otherwise. All variables measured as the average of realizations in the two-years prior to the move year and are as defined in Table 2. P-values are reported under each coefficient in parentheses. *, **, *** denote significance levels of 0.1, 0.05, and 0.01 respectively using a two-tailed test.

TABLE 6

OLS Regressions of Firm Performance on a Post-Headquarter Move and Suspect-Move Indicator Variables

Dependent variable	ROA	MTB
	(1)	(2)
SUSPECT	0.080	0.941
	(2.97)***	(0.64)
PostMove	0.020	-0.318
	(1.17)	(-0.41)
SUSPECT * PostMove	-0.061	-2.310
	(-2.65)***	(-1.82)*
LEV	-0.118	-2.489
	(-2.21)**	(-1.29)
SIZE_AT	0.016	-0.105
	(2.04)**	(-0.42)
LNAGE	0.000	-0.833
	(0.02)	(-1.57)
RND	-0.010	-0.028
	(-3.28)***	(-0.64)
Industry fixed-effects	Yes	Yes
Year fixed-effects	Yes	Yes
Adj. R^2	0.34	0.39
Nobs	513	513

This table presents OLS regression results for tests of H2. SUSPECT is an indicator variable equal to 1 if firm moved headquarters to the state affiliated with the CEOs Alma Mater and zero otherwise. PostMove is an indicator variable equal to 1 for periods after the headquarter move and zero otherwise. All other variables as defined in Table 3. All regressions include year and industry fixed-effects based on the 12 industry classifications defined by Fama and French (French 2011). Amounts in parentheses are *t*-statistics based on White (1980) standard errors clustered by firm. *, ** and *** next to the coefficient estimates indicate a 10%, 5% and 1%, respectively, significance level using two-tailed tests.

TABLE 7
Supplemental Univariate Tests Examining Mechanisms Behind Suspect-Move Performance Decreases

Panel A: The Role of Distance

	Suspect	Control	Difference
Log of Distance (miles)	6.545	6.554	0.009 (0.05)
Distance (miles)	901	1023	122 (0.71)

Panel B: The Role of Distraction: College Athletics

	Suspect	Control	Difference
Big Football Conferences	0.381	0.191	0.190 (1.80)*
Division I without Big Football Conferences	0.143	0.191	-0.048 (0.50)
All Division I Athletics	0.524	0.382	0.142 (1.15)

This table presents a series of univariate tests examining mechanisms behind the decrease in performance post suspect-move. Panel A presents tests for the role of distance and compares the distance in both miles and the log of miles between suspect and control firm moves. Panel B presents tests for the role of large college athletics on suspect move choice. The row labeled "Big Football Conferences" captures the proportion of the CEO Alma Maters that are members of the big three NCAA football conferences, i.e. SEC, Big 10, and Big 12. The row "Division I without Big Football Conferences" captures the proportion of CEO Alma Maters that are members of conference other than the SEC, Big 10, or Big12 that competes in either NCAA division I football or basketball. The row "All Division I Athletics" captures the proportion of CEO Alma Maters that are members of any conference that competes in either NCAA division I football or basketball. Amounts in parentheses under row differences (see column labeled "Difference") are *t*-statistics. *, ** and *** next to the coefficient estimates indicate a 10%, 5% and 1%, respectively, significance level using two-tailed tests.